

## Message Text

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17  
ACTION EA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 IO-13

OMB-01 EB-07 CU-02 TRSE-00 /079 W  
----- 068332

P R 100520Z AUG 76  
FM AMEMBASSY PORT MORESBY  
TO SECSTATE WASHDC PRIORITY 1693

INFO AMEMBASSY CANBERRA  
AMEMBASSY MANILA  
AMEMBASSY SUVA  
RUD  
BAZ/AMEMBASSY WELLINGTON 97  
CINCPAC HONOLULU

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CINCPAC FOR POLAD

E.O. 11652: NA  
TAGS: PGOV PP PINT  
SUBJ: BOUGAINVILLE SETTLEMENT PACKAGE ANNOUNCED

1. ON AUGUST 9 PRIME MINISTER SOMARE ANNOUNCED IN  
PARLIAMENT THAT HE AND BOUGAINVILLE LEADERS ON AUGUST 7  
HAD SIGNED AN AGREEMENT ON BEHALF NATIONAL AND BOUGAINVILLE  
PROVINCIAL GOVERNMENTS "THAT WILL PRESERVE A UNITED PAPUA  
NEW GUINEA." AGREEMENT FOLLOWS SIX MONTHS OF ARDUOUS  
NEGOTIATIONS TO PREVENT SECESSION OF RICHEST PROVINCE  
OF PNG.

2. JOINT COMMUNIQUE RELEASED TO PRESS INDICATES SUBSTANCE  
OF AGREEMENT GUARANTEES BOUGAINVILLE AN EFFECTIVE ROLE IN  
RULING OWN AFFAIRS WITHIN FRAMEWORK OF PNG. TEXT STATES  
BOTH PARTIES RECOGNIZE THAT AGREEMENT PROVIDES ONLY A  
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GUIDELINE TO EVENTUAL SYSTEM AND THAT ITS SUCCESSFUL

IMPLEMENTATION WILL REQUIRE ALL PARTIES INVOLVED TO WORK TOGETHER IN SPIRIT OF MUTUAL COOPERATION AND UNDERSTANDING.

3. AGREEMENT PROVIDES THAT CENTRAL GOVERNMENT WILL RETAIN MOST OF ITS PREVIOUS POWERS. CONCESSIONS TO BOUGAINVILLE ARE MODEST, AS FOLLOWS:

A. THERE SHALL BE ONLY ONE PUBLIC SERVICE UNDER NATIONAL AUTHORITIES;

B. CONCURRENT LEGISLATIVE POWERS PROVIDE THAT PROVINCIAL LEGISLATION WILL BE NULL AND VOID IF IT DUPLICATES OR IS INCONSISTENT WITH NATIONAL LAW PASSED EITHER AFTER OR BEFORE PROVINCIAL LAW;

C. NATIONAL LEGISLATION WILL GOVERN THE DEVELOPMENT OF MAJOR NATURAL RESOURCES FOR BENEFIT OF ALL PAPUA NEW GUINEANS;

D. PROVINCIAL GOVT TO CONTROL "MOBILE TRADERS," COMMUNITY SCHOOLS AND VILLAGE SELF-HELP SCHOOLS, SALE OF ALCOHOLIC DRINK, PUBLIC ENTERTAINMENT, PROVINCIAL LIBRARIES, MUSEUMS, CULTURAL CENTERS, SPORTS, LOCAL COMMUNITIES, VILLAGE GOVERNMENTS AND VILLAGE COURTS;

E. NATIONAL GOVT HAS EXCLUSIVE RIGHT TO LEVY AND COLLECT EXPORT AND IMPORT DUTIES, EXCISE DUTIES, TAXES ON CORPORATE PROFITS AND PERSONAL INCOMES, ROYALTIES ON NATIONAL RESOURCES, AND CHARGES FOR REGISTERING MOTOR VEHICLES;

F. PROVINCIAL GOVT HAS RIGHT TO LEVY TAXES ON RETAIL SALES, ENTERTAINMENT AND LAND, AND EXCLUSIVE RIGHT TO LEVY HEAD TAXES. NATIONAL GOVT HAS RIGHT TO CORRECT PROVINCIAL TAXES THAT ARE JUDGED TO BE EXCESSIVE OR DISCRIMINATORY;

G. PROVINCIAL GOVT WILL BE FINANCED BY GRANTS FROM NATIONAL GOVT, PROCEEDS FROM ROYALTIES ON RESOURCES, AND FROM MOTOR VEHICLE REGISTRATION FEES. BOUGAINVILLE WILL ALSO RECEIVE GRANTS TOTALING 1 1/4 PERCENT OF THE VOLUME OF EXPORTS FROM BOUGAINVILLE, AND AN UNCONDITIONAL GRANT OF K2.3 MILLION INCLUDED IN NATIONAL BUDGET (TOTAL BOUGAINVILLE REVENUE WILL LIMITED OFFICIAL USE

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BE FROM 7-8 MILLION KINA ANNUALLY);

H. SIX PRINCIPAL OFFICERS OF PROVINCIAL GOVT WILL BE UNDER SOLE BOUGAINVILLE CONTROL BUT PAID BY NATIONAL GOVT;

I. DETAILS WILL BE OUTLINED IN FUTURE ORGANIC LAW.

4. SOMARE ASSERTED AGREEMENT SHOWED "BEYOND ALL QUESTION"

THE SINCERITY OF THE NATIONAL GOVT TO REESTABLISH A SYSTEM OF GOVERNMENT GIVING REAL MEANING TO COMMITMENT TO DECENTRALIZE. HE CONCLUDED THAT IN JANUARY SITUATION SEEMED BEYOND HOPE AND STATED THERE WERE FEW COUNTRIES WHERE SUCH A SITUATION WOULD BE HANDLED WITH SUCH RESPONSIBILITY AND MATURITY ON BOTH SIDES.

5. COMMENT: POST HAS SIFTED VIEWS LARGE NUMBER PNG LEADERS DURING PAST TWO WEEKS. THERE HAS BEEN A REMARKABLE CHANGE IN ATTITUDE ON PART NATIONAL GOVT LEADERS OVER PAST TWO MONTHS, MOVING TOWARD POSITION TAKEN BY SOMARE LAST JANUARY. THIS ATTITUDINAL SHIFT OF ACCOMMODATION IS OF FAR GREATER IMPORTANCE THAN THE ACTUAL POWERS TRANSFERRED TO BOUGAINVILLE (WHICH ARE IN FACT LESS THAN THOSE HELD BY MUNICIPALITIES IN THE U.S.). THERE IS STILL RESIDUE OF OPINION, HELD BY UPPER ECHELONS OF NEW ZEALAND AND AUSTRALIAN COMMISSIONS, PNG DEFENCE FORCE COMMANDER AND TO LESSER DEGREE POLICE THAT NATIONAL GOVT HAS GIVEN AWAY TOO MUCH AND THAT BOUGAINVILLE SHOULD HAVE BEEN BROUGHT INTO LINE. THIS ATTITUDE IS BASED ULTIMATELY ON IDEA THAT ANY DECENTRALIZATION OF ADMINISTRATIVE POWER WILL RESULT IN DISINTEGRATION OF PNG AND A THOROUGH DISLIKING AND DISTRUST OF BOUGAINVILLE LEADERS. WE FIND THIS ATTITUDE EXTREMELY HARD TO SQUARE WITH THE FACTS AS WE SEE THEM. THE POWERS TRANSFERRED ARE NOT SUBSTANTIAL, AND THERE IS SERIOUS TALK OF A NATIONAL COALITION BEING FORMED AFTER THE NEXT ELECTION WITH FR. JOHN MOMIS AS DEPUTY PRIME MINISTER. ALL AGREE THAT THERE WILL BE UPS AND DOWNS IN THE FUTURE AND THAT THE "BOUGAINVILLE ISSUE" WILL NOT EVAPORATE BUT THERE IS A BETTER CHANCE NOW OF RESOLVING BY PEACEFUL MEANS THE OUTSTANDING ISSUES THAN AT ANY TIME SINCE THIS POST OPENED. AIRGRAM FOLLOWS. OLMSTED

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** AGREEMENTS, SECESSION, PROVINCIAL GOVERNMENT  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 10 AUG 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** BoyleJA  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976PORTM00805  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760307-0290  
**From:** PORT MORESBY  
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**Office:** ACTION EA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** BoyleJA  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 24 MAY 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <24 MAY 2004 by SmithRJ>; APPROVED <15 SEP 2004 by BoyleJA>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** BOUGAINVILLE SETTLEMENT PACKAGE ANNOUNCED  
**TAGS:** PGOV, PINT, PP, (SOMARE, MICHAEL THOMAS)  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006